Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
ETC Annual Reports and Certifications	)	WC Docket No. 14-58
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92

REPLY COMMENTS OF
GVNW CONSULTING, INC.

June 25, 2018

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Executive Summary

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The new high-cost mechanism designed to bring voice and advanced broadband services to customers of rate-of-return carriers serving rural America, while fundamentally sound, was substantially underfunded from the beginning and the funding deficit has only become worse as time has gone on. GVNW appreciates that the Commission has reviewed the experience under the new rate-of-return ("RofR") high-cost mechanism and is considering both necessary increases in funding and refinements in fund design.

The overwhelming majority of commenters in this proceeding recognize that the current budget for the RofR portion of the high-cost Universal Service Fund must be significantly increased. The draconian reductions in support for legacy RofR companies resulting from the budget control mechanism and the inability of the Commission to fund the A-CAM at a higher per-location amount, or even offer the A-CAM option to all companies willing to move to model-based support, demonstrate the inadequacy of the current fund. While the Commission through the 2011 Order and successive orders has optimized the efficiency of RofR high-cost fund with an incomparable level of integrity, it has been unable to squeeze savings sufficient to properly implement its fund design within the 2011 historical funding amount.

The current RofR high-cost universal service fund budget does not meet the principles of sufficiency and comparability included in the Communications Act. It denies rural Americans access to broadband that is reasonably comparable in price and quality to that enjoyed by millions of urban Americans today. Moreover, none of the other universal service programs – the Rural Healthcare program, E-rate and Lifeline – function without infrastructure in rural America that can deliver advanced broadband and voice services.

In addition to allocating sufficient funds to the RofR portion of the high-cost universal service budget, the Commission should apply an inflation factor to the RofR portion of the high-cost universal service budget. It must also address the insufficiency caused by application of the budget control mechanism to be applied retroactively to July 1, 2018, so that RLECs and the rural consumers they serve will not be harmed to the tune of monthly $20 million support cuts.

The fundamental design of the reformed RofR high-cost fund is sound, but, as with any complex new mechanism, certain modifications should be adopted to further enhance its effectiveness based on the experience gained from implementation. These include individual RLEC-specific thresholds for minimum levels of cost-based support, adoption of another glide path option, another A-CAM option (only if accompanied by additional funding), reform of CAF-BLS (again, only if accompanied by additional funding) and modification of the Rural Growth Factor.

On the other hand, while certain tweaks to the current mechanisms pragmatically fulfill the Commission's policy goals with respect to fairly and efficiently distributing high-cost support to rate-of-return carriers, other proposals are counterproductive. Those counterproductive proposals include lowering the $250 cap on per-line support, changing the competitive overlap regime and instituting means testing in the high-cost program.

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REPLY COMMENTS OF
GVNW CONSULTING, INC.

GVNW Consulting Inc. ("GVNW")[1] respectfully submits these reply comments in the above captioned proceeding. The Notice of Proposed Rulemaking ("*NPRM*")[2] reviews the adequacy of the Connect America Fund (CAF) support available for rate-of-return (RoR) carriers, explores various issues with respect to existing and potential A-CAM carriers, proposes a threshold level of support not subject to the budget control mechanism for legacy carriers along

[1] GVNW Consulting, Inc. is a management consulting firm that provides a wide variety of consulting services, including regulatory and advocacy support on issues such as universal service, intercarrier compensation reform, and strategic planning for communications carriers in rural America.
[2] *Connect America Fund, et al.,* WC Docket No. 10-90 *et al.,* Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking (rel. March 23, 2018) (*"NPRM.")*

with their deployment obligations, and proposes other changes including replacing the 100 percent overlap process with an auction mechanism.

The design of the reformed RofR high-cost fund accomplished important policy goals while taking into account the enormous variation in the companies and service areas that comprise the universe of rural local exchange carriers ("RLECs") bringing advanced fixed broadband and voice services to a substantial portion of rural America. In order to address that variation, the reformed fund was necessarily complex, with many moving parts. It is thus not surprising that after the new fund mechanism was road-tested, some elements were found to require modification. Neither is it surprising that while the new design for the RofR high-cost mechanism was fundamentally sound, it was and remains substantially underfunded. The sophisticated vehicle designed by the Commission to move broadband expansion and improvement forward in rural America was unfortunately lacking adequate fuel. GVNW appreciates that the Commission has reviewed the experience under the new RofR high-cost mechanism and is considering both necessary increases in funding and refinements in fund design. Many commenters have submitted thoughtful ideas and thorough analyses in the instant proceeding that will assist the Commission in modifying the RofR high-cost fund. Many of these ideas, if adopted, will position rural America for success in the information-driven economy of the next decade. GVNW is pleased to be able to reply to these comments.

I. The Current High Cost Budget Must be Significantly Increased

The overwhelming majority of commenters in this proceeding recognize that the current budget for the rate-of-return ("RofR") portion of the high-cost Universal Service Fund must be significantly increased.[3] The draconian reductions in support for legacy RofR companies resulting from the budget control mechanism and the inability of the Commission to fund the A-CAM at a higher per-location amount, or even offer the A-CAM option to all companies willing to move to model-based support, demonstrate the inadequacy of the current fund. NTCA and WTA both offer careful analyses of the appropriate fund size,[4] taking into account the statutory mandate of sufficiency from the perspective of both fund receivers and payers.

NCTA flat out opposes increasing the size of the RofR high-cost fund, recommending instead that "…the Commission should move forward with programs that more efficiently award support through competitive bidding."[5] The only proposal included in the NPRM to use competitive bidding involves the competitive overlap process, and even if that was unwisely adopted, it would have a miniscule effect on the rate-of-return high-cost fund budget. Any other proposal to use competitive bidding to distribute rate-of-return high-cost support during the current term of support is a very late-filed petition for reconsideration of the 2011 Order and should be dismissed out of hand. NCTA ignores the legal mandates of sufficiency and reasonable and comparable rates and services[6] (along with improperly relitigating settled issues) by promoting a

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[3] *See* Comments of NTCA in *NPRM* at 31-33, Comments of WTA in *NPRM* at 8 "WTA does not believe that the $2.0 billion 2011 budget for a mechanism that supported a primarily voice and low-speed (4 Mbps/1Mbps) broadband network can be deemed reasonable, much less sufficient, to support the current 2018 predominately high-speed (10/1 Mbps and 25 Mbps/3Mbps) broadband network, much less the likely further broadband speed increases and service upgrades between now and 2026." Also *see* Comments of ITTA at 11, Comments of the Small Company Coalition at 2, Comments of Gila River Telecommunications, Inc. at 1, Comments of TDS Telecommunications Corp. at 4, Comments of the Blooston Rural Carriers at 3-5, Comments of ADTRAN at 3, Comments of the Nebraska A-CAM Companies at 2, Comments of FWA, Inc. at 4, Comments of Sacred Wind Communications at 8, Comments of USTelecom at 6-9, Comments of Broadband Alliance of the Midwest at 5 and Comments of TCA at 1.

[4] *See* Comments of NTCA at 32-33 and Comments of WTA at 9.

[5] *See* Comments of NCTA at 1.

[6] 47 U.S.C. §§ 254 (b)(3) and 254 (b)(5).

"presumption that any changes to the current rate-of-return carrier support programs should not lead to a net increase in the amount of this support available only to an exclusive set of providers."[7]

A. Support is Not Adequate to Properly Implement the RofR Fund Design

The current level of high-cost support is not enough to properly implement the design of the rate-of-return fund. NTCA states, "As a reminder, the Commission in 2011 set a six-year budget for high-cost USF support at $4.5 billion per year, based upon no greater analysis than the observation that this was the level of support anticipated for receipt by carriers that year."[8] That historically-based amount was used to support telephone service, not advanced broadband and voice. Of course, in the 2011 Order, the Commission properly repurposed the high-cost universal service fund to cover just those services so important to the economy, health and education of rural Americans.

The lack of enough dollars to properly implement the RofR fund design is exemplified by the issues with A-CAM. As NTCA notes "The Commission recognized, for example, that the significant demand for A-CAM support alone warranted a supplemental injection of $50 million per year in CAF reserves (beyond the initial infusion of $150 million per year leveraging such reserves). (*See Connect America Fund*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 10-90, 31 FCC Rcd 13775 (2016). And, yet, even that amount was insufficient to meet demand, and the final model offer and concomitant deployment obligations were therefore reduced when compared to initial design and offer."[9] NTCA goes on to note that "the Commission's own explanation reveals that these recent steps, when held against the parameters established by the A-CAM design as approved by the Commission in extending initial

[7]*See* Comments of NCTA at 2.
[8]*See* NTCA Comments at 8 referencing 2011 Order, 26 FCC Rcd at 17711, ¶ 125.
[9]*See* Comments of NTCA at 23.

model offers, still leave that program underfunded by $66.6 million per year – with 17,700 locations still lacking access to broadband at 25/3 Mbps, and nearly 22,000 potential subscribers awaiting broadband at 10/1 Mbps as compared to the initial model offer." (see NPRM at ¶ 143)[10] The Commission has frequently evidenced its preference for regulatory regimes, such as a cost model, to replace rate-of-return regulation, yet the lack of model funding forced the Commission to restrict and discourage adoption and restrict access to the A-CAM with the concomitant diminution of the number of rural consumers that would be offered access to advanced broadband services.

Others agree that the funding cap should be increased to the $200 per location that was initially offered.[11] WTA echoes GVNW's position on the A-CAM funding cap – supporting the restoration of the $200 level but with the proviso that such action does not harm cost-based RLECs "WTA also advocates a Commission offer of full funding for existing ACAM participants at the $200 per location funding cap with associated increased build-out obligations, but with the proviso that such increased ACAM funding must not have the effect of reducing the high-cost support distributed to cost-based RLECs – for example, by increasing the adverse impacts of any existing or future budget control mechanisms like those of current Sections 54.901(f) and 54.1310(d) of the Rules that might be established by the Commission."[12] TDS, which elected the A-CAM for all of its operating companies, explains the practical effect of increasing support up to $200 per location "In TDS Telecom's case, increasing the funding cap to $200 will mean that at least 2,457

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[10]*Id* at 24.
[11]*See* Comments of Blooston Rural Carriers at 13, "Although circumstances required the Commission to ultimately adopt a lower funding cap, the rationale for beginning with $200 per location remains the same. Accordingly, the Commission should use the $200 funding level again."
[12]*See* Comments of WTA at 3.

additional customers will receive service of a minimum of 25/3 Mbps, while at least 1,170 additional customers will have increased service of a minimum of 10/1 Mbps. Meanwhile, 1,997 customers will transition from receiving broadband service only on "reasonable request" to having a guaranteed level of broadband access. TDS Telecom is eager to serve these additional customers, who, in turn, no doubt are eager to be served for the first time with broadband or expanded broadband access."[13]

While the Commission through the 2011 Order and successive orders[14] has optimized the efficiency of RofR high-cost fund with an incomparable level of integrity, it has been unable to squeeze savings sufficient to properly implement its fund design within the 2011 historical funding amount. NTCA recounts "the many steps already taken and the many measures already put into place to ensure that funding is disbursed efficiently and targeted to where it is needed most to support the deployment of networks and provision of supported services."[15] As NTCA concludes "In the wake of the many reforms over the past decade, what is missing is not accountability, but sufficiency."[16]

The Blooston Rural Carriers explain how reducing funding resulting from application of the Budget Control Mechanism (BCM) inhibits proper implementation of the RofR high-cost mechanism's goals "The BCM drastically reduces support levels for RofR legacy carriers for reasons other than eliminating waste and inefficiencies. Further, RoR legacy carriers must meet

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[13] *See* Comments of TDS at 3.
[14] *See* 2016 Order, 31 FCC Rcd at 3121 and 3123.
[15] *See* Comments of NTCA at 14. NTCA goes on to list the "comprehensive series of overlapping controls, caps and constraints aimed at ferreting out any possible "waste, fraud, and abuse" in the system."
[16] *Id* at 15.

defined broadband built-out requirements as a result of the *2016 RoR Reform Order*, with less available support.[17]

WTA explains how inadequate funding causing delayed deployment (along with cost increases due to inflation during the period of the delay) can be counterproductive in efficiently using scarce high-cost fund resources "WTA members and engineering consultants report that RLECs can save about 20 to 30 percent on contractor and related construction costs if they can do large-scale broadband deployments at one time rather than a series of multiple, smaller-scale annual projects. However, the financial resources of many small RLECs, plus high-cost support limitations and uncertainties, have rendered it difficult or impossible for many RLECs to achieve these economies."[18] According to ITTA, "Simply stated, the need for adequate funding for all rate-of-return carriers is paramount; carriers on both paths are hindered from achieving their full deployment and service potential due to a lack thereof."[19]

B. Support Does Not Meet the Statutory Principles of Sufficiency and Comparability

The current RofR high-cost universal service fund budget does not meet the principles of sufficiency and comparability included in the Communications Act.[20] NTCA states "In the absence of more sufficient support – a high-cost USF budget built for the broadband marketplace of 2018 (and beyond) – many rural consumers will continue to be denied access to broadband that is reasonably comparable in price and quality to that enjoyed by millions of urban Americans today."[21] NTCA explains the wisdom of Congress in adopting both deployment and affordability

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[17] *See* Comments of Blooston Rural Carriers Comments at 4.
[18] *See* Comments of WTA at 11-12.
[19] *See* ITTA Comments at 6. ITTA recommends "…the Commission must fully fund the legacy mechanism and provide A-CAM program carriers with funding up to $200/month per eligible location."
[20] 47 U.S.C. § 254(b)(1) and (3).
[21] *See* Comments of NTCA at 13.

goals for the high-cost fund "Thus, while many often conceive of the high-cost USF program as merely stimulating network deployment, the high-cost program in fact 'wears two hats.' It provides the business case for network deployment and ongoing operations precisely because it helps to ensure that consumers in rural America can adopt services and pay rates that are 'reasonably comparable' to those paid by urban consumers."[22]

Gila River Telecommunications Inc., among others, references the recent letter from 130 members of the House of Representatives and 61 Senators stating that "the high-cost program has been and remains insufficient…This persistent insufficiency is affecting the ability of smaller rural broadband providers to effectively deliver broadband services in the most rural areas of America.[23]

Not only must the Commission adhere to the statutory standards of reasonable comparability with respect to rates and services, it must recognize in properly sizing the fund that comparable services, in particular, will change -- urban speeds will undoubtedly increase substantially in the next few years. NTCA addresses both the deployment and affordability standards for reasonable comparability "Unfortunately, largely because of insufficient and artificially constrained budgets, universal service speed targets that often come to define the basic terms of broadband access in much of rural America have struggled to keep pace with such dynamic growth and innovation in this marketplace – despite statutory mandates that the USF

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[22] *Id* at 11.
[23] *See* Gila River Comments at 3 referencing Letter from Rep. Kevin Cramer, Colin Peterson, et al, to Chairman Ajit Pai, available at https://www.dropbox.com/s/qwy2e3ft3gw7vr7/USF%20Letter%20to%20FCC%20Chairman%20Pai%20final%20letter.pdf?dl=0 (May 15, 2018); Letter from Deb Fischer, Amy Klobuchar, *et al*, to Chairman Ajit Pai, available at https://www.fischer.senate.gov/public/_cache/files/cc4e543d-edb8-4dd6-81ae-9f0b0a1c9b15/senate-usf-letter-to-fcc-5152018.pdf (May 15, 2018).

program ensure quality services are available at affordable rates and that services in rural and urban areas are reasonably comparable in price and quality."[24]

Rural America tends to be poorer than urban and suburban America, so rate comparability for essential voice and broadband service is particularly important.[25] NTCA observes that in fulfilling its statutory goals "…the high-cost USF program is just as much about affordability as it is about availability and ongoing operation of networks."[26] The excessive increases anticipated to be needed by NTCA members due to the budget control mechanism "…fly in the face of any notion of 'reasonable comparability' when the Commission's benchmark for 10/1 Mbps broadband is approximately $88 per month, while the 25/3 benchmark is approximately $94."[27]

The current application of the Budget Control Mechanism (BCM) to legacy companies is both unfair and counterproductive. NTCA clearly defines insufficiency in legacy funding this way "And yet, despite actually incurring these costs in support of voice and broadband, and despite submitting them for review, and despite running them through the formulas and many caps that define ultimately what support should be received, the support deemed otherwise permissible and appropriate is then crammed down after the fact to fit Cost-Based Support within an amount of funds then available – resulting in the actual loss of hundreds of millions of dollars of support to compensate for work *already done* toward the mission of universal service."[28]

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[24]*See* Comments of NTCA at 6-7.
[25]*See* United States Department of Agriculture Economic Research Service "Rural Poverty & Well-being," "According to the U.S. Census Bureau's Annual Social and Economic Supplement to the Current Population Survey (CPS) data estimates, the higher incidence of nonmetro poverty relative to metro poverty has existed since the 1960s when poverty rates were first officially recorded." https://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being.aspx
[26]*See* Comments of NTCA at 10.
[27]*Id* at 11-12.
[28]*Id* at 28.

C. The Current Inadequate Level of Support Harms Rural Consumers

The historically-based amount of support allocated to the RofR high-cost fund has been shown to be insufficient to fund the broadband demands of 2011,[29] let alone the health, education and economic needs of rural consumers in 2018 and 2026. As noted by NTCA "Moreover, we are only on the precipice of substantial demands to come based upon use cases, and keeping pace with demands for higher speeds will determine American competitiveness in a global economy and rural America's ability to remain a critical component of (and even help drive) such success.[30] NTCA goes on to cite numerous sources predicting enormous growth in demand for more robust broadband services.[31]

None of the other universal service programs – the Rural Healthcare program, E-rate and Lifeline – function without infrastructure in rural America that can deliver advanced broadband and voice services. NTCA agrees and makes the important observation that adequate high-cost funding is "…foundational for the success of all four critical universal service initiatives in rural America…."[32] Delivering quality health care and a world class education are particularly challenging in rural America and attempting to leverage the Commission's programs promoting those important goals upon an inadequate RofR high-cost fund, diminishes the effectiveness of those funds. Similarly, providing a Lifeline discount from a facilities-based provider on rates that are unaffordable makes that universal service program less effective as well.[33] ITTA agrees "Not

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[29] *Connect America Fund, et al.*, WC Docket No. 10-90 *et al.*, Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking (rel. March 23, 2018) at ¶ 73.
[30] *See* Comments of NTCA at 4.
[31] *Id* at 4-6.
[32] *Id* at 10.
[33] *Id* at 11-12 which provide data from an NTCA member survey demonstrating how the budget control cuts announced in May 2017 would dramatically increase subscriber rates, making advanced voice and broadband services less affordable. The same NTCA member survey reported that many NTCA members reported that "they did not offer standalone broadband access at all,

only is the deployment of broadband to unserved and underserved areas, fostered by high-cost support, essential to bringing the benefits of 21st century connectivity to Americans living in rural areas, it also is fundamental to the commission's ability to leverage its other universal service programs to connect schools and libraries and rural health care facilities, and to make affordable broadband available to low-income Americans living in high-cost areas."[34]

D. Calculating the Appropriate Amount of Support

GVNW endorses the appropriate amount of support recommended by WTA and NTCA.[35] NTCA bases its calculation on five budget principles "In particular, the budget going forward must: (1) reflect reasonable expectations as to demands for program support over time; (2) be sized to achieve 'true universal service' in the form of scalable networks that can evolve to meet consumer demand, or be sized sufficiently at the very least to correspond to the set of buildout and other performance tasks designed by the Commission; (3) be sized sufficiently as well to ensure 'reasonable comparability' in terms of services and pricing; (4) provide greater predictability to

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because to do so in the face of the Cost-Based USF support cuts would lead to average end user prices of $126 per month. NTCA goes on to state that "Unfortunately, the picture looks just as bleak for rural consumers in the face of the new, even larger budget cuts that were announced on May 1 and are scheduled to take effect on July 1." (See NTCA comments at 1 and Budget Control Mechanism for Rate of Return Carriers, available at https://www.usac.org/hc/program-requirements/budget-control-rate-of-return.aspx.)

[34] *See* Comments of ITTA at 4-5. Also *see* Comments of WTA at 6 and Comments of USTelecom at 3.

[35] However, included in NTCA's calculations is the assumption that the $45 million per year allocated to the Alaska Plan stays constant over the term of the Plan. For the same reasons that an inflation adjustment on the total RofR high-cost support universal service fund is required, so is an inflation adjustment on the Alaska Plan funding. Given that the Alaska Plan is merely 1.76 percent of the approximately $2.55 billion fund supported by GVNW and the rural associations as sufficient for the rate-of-return portion of the high-cost universal service fund, such an adjustment should not materially affect the total fund size. The minor difference between the NTCA and WTA budget estimates is caused by slightly different recommendations as to how to remedy the diminution of the HCLS caused by the Rural Growth Factor. Otherwise, the estimates for an appropriate rate-of-return high-cost budget are fundamentally the same.

the extent that any projected budget nonetheless turns out to be insufficient in a future period; and (5) include an appropriate inflationary factor just as other USF programs do today."[36] Based on those principles, funding of the A-CAM at $200 per location (for a total of $631.5 million in model funding), along with projected levels of CAF-BLS and HCLS support through 2026 (requiring $1.43 billion in calendar year 2018 to $1.75 billion by calendar year 2026), along with $45 million for the Alaska Plan, $400 million for CAF-ICC support, and approximately $50 million to accommodate other potential support demands resulting from the NPRM, would require a fund size of approximately $2.55 billion in 2018 and $2.8 billion by calendar year 2026."[37]

With respect to the fund keeping up with inflation, at a minimum, the Commission should apply an inflation factor to the RofR portion of the high-cost universal service budget. That factor should apply to the budget as it was first set in 2011 at $2 billion annually and then be brought forward. WTA notes that fiber prices paid by the typical WTA member "have steadily increased during the past 8-to-10 years"[38] and that "Labor costs have increased, and are continuing to increase, significantly for most RLECs as they transition from being primarily voice service providers to being predominately broadband service providers."[39]

The NPRM states, "The Commission observes that had an inflationary factor applied to that budget from the start, the current $2 billion "baseline" would be $193 million higher as of 2018.[40] As noted by NTCA, that amount would be "just slightly above the 2017-2018 shortfall in

[36] *See* Comments of NTCA at 30-31.
[37] *Id* at 45-46.
[38] *See* WTA comments at 11.
[39] *Id* at 12.
[40] *See* NPRM at ¶ 105.

Cost-Based Support.[41] Several others also endorse adjusting USF budgets for inflation.[42] The Chairman's proposal to adopt an inflation factor for the Rural Health Care Program which recalibrates its budget dating back to the initiation of the program and its $400 million cap in 1997 and then applies and inflation factor going forward to its adjusted budget just received majority support at the FCC.[43] The rate-of-return high-cost fund and the Alaska plan provide the foundation for the Rural Health Care Fund (along with E-Rate and Lifeline) deserves no less – an inflation adjustment dating back to the initiation of the cap of $2 billion in 2011.

E. Timing of Commission Action on the RofR Budget

While the Commission is pondering the important issues raised in the NPRM, the budget control will begin reducing Cost-Based Support within just a few weeks. GVNW strongly endorses NTCA's exhortation to apply any additional resources provided to address the insufficiency caused by application of the budget control mechanism to be applied retroactively to July 1, 2018, so that RLECs and the rural consumers they serve will not be harmed to the tune of monthly $20 million support cuts.[44]

II. Other NPRM Proposals that Should be Adopted

The fundamental design of the reformed RofR high-cost universal service fund is sound, but, as with any complex new mechanism, certain modifications should be adopted to further

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[41] *See* Comments of NTCA at 51.

[42] *See* Comments of Allband at 6 "Allband endorses the Commission's inquiry into budget expansion of the USF to reflect some modicum of inflation increases each year (and for the past several years)." Also *see* Comments of Small Company Coalition at 5, Comments of Gila River Telecommunications Inc. at 4, Comments of Blooston Rural Carriers at 5-6, Comments of ADTRAN at 3-4, Comments of Sacred Wind Communications Inc. at 8, Comments of USTelecom at 2-3, and Comments of TCA at 3-4.

[43] *See* Press Release from Office of the Chairman, "Chairman Pai's Proposal to Increase Rural Health Care Funding Receives Majority Support at FCC," (rel. June 14, 2018), https://docs.fcc.gov/public/attachments/DOC-351633A1.pdf

[44] *See* Comments of NTCA at 39.

enhance its effectiveness based on the experience gained from implementation. These include individual RLEC-specific thresholds for minimum levels of cost-based support, adoption of another glide path option, another A-CAM option (only if accompanied by additional funding), reform of CAF-BLS (again, only if accompanied by additional funding) and modification of the Rural Growth Factor.

A. Individual RLEC-Specific Thresholds for Minimum Levels of Cost-Based Support

GVNW endorses the Commission's proposal for a "floor" for individual RLEC support to the extent that total demand for cost-based support exceeds the available budget and triggers the budget control mechanism.[45] No matter the methodology used to apply the budget control mechanism fairly and equitably, it is bound to have differential impacts and some may be sufficiently anomalous as to unfairly penalize an RLEC and its customers. Use of a floor can address that situation. NTCA's suggested modification to the Commission's third option fulfills the purpose of establishing a floor and has the added important element of predictability, thereby not discouraging investment in advanced broadband facilities.[46] Other commenters also recognize the need for and logic of RLEC-specific thresholds for minimum levels of cost-based support.[47]

NTCA's proposal offers several advantages over the suggestions offered in the *NPRM*. The Commission lays out four options: (1) 80 percent of an A-CAM offer to each carrier calculated at a $146.10 per location funding cap; (2) the specific "Appendix E" five-year projection for each carrier; (3) some fraction of each carrier's "unconstrained" 2016 or 2017 claims amount, perhaps

[45] *Connect America Fund, et al.*, WC Docket No. 10-90 *et al.*, Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking (rel. March 23, 2018) at ¶ 148.
[46] *See* Comments of NTCA at 35 and 37-38.
[47] *See* Comments of NTCA at 42-43, Comments of ITTA at 30 and Comments of USTelecom at 18.

adjusted for line loss; or (4) a limit on how much a carrier's individual budget control could exceed the industrywide average impact.[48] As noted by NTCA, "using A-CAM support as the basis for a carrier-specific threshold makes little sense in the context of carriers that did not elect A-CAM support due to concerns that the model can be wholly unreflective of the actual costs of serving granular geographies.[49] The use of "Appendix E" projections use industry-wide assumptions that may help to identify overall budget demands but, like the model, have little value at the granular level necessary to accurately determine projections for an individual study area. Such projections therefore are not likely to properly calculation an appropriate carrier-specific floor of support consistently across all study areas. The *NPRM's* fourth option, which would limit the percentage reduction to an amount that is no more than twice the average budget control, suffers from a timing issue – it does not allow a carrier to determine its floor amount until after the overall budget controls are announced. As NTCA notes "…this option fails to fulfill the goal of promoting greater predictability…rendering the value of the threshold concept largely moot for purposes of business planning."[50]

The third option – determining each carrier's floor based upon a fraction of its unconstrained 2016 or 2017 support amounts – makes sense in that it is calculated using data from each carrier, but it fails to take into account the variability in investment cycles. However, NTCA's modification to this option addresses that concern "Such a threshold, which would be calculated annually on a rolling basis throughout the Budget Term, ties to a reasonable measure of recent actual costs incurred in furtherance of universal service – thus providing some level of predictability – while at the same time: (1) recognizing that support levels for individual carriers

[48]*See NPRM* at ¶ 153.
[49]*See* Comments of NTCA at 36.
[50]*Id* at 37-38.

will often vary over a series of years based upon investment cycles; and (2) ensuring that the prospect of carriers attempting to "raise their floor" will be limited by looking to average support levels over a series of several prior years and taking into account all caps and constraints in place other than the budget control itself."[51] USTelecom, WTA and ITTA also express support for the third option with variations of the NTCA-proposed modification.[52] However, the various percentages applied to that floor by USTelecom, WTA and ITTA (and USTelecom's use of the "lowest" support figure), have the virtue of seemingly being predictable, but the handicap of predicting support figures so far below current levels of support (based on actual costs) that they would not serve to cure the investment-discouraging impact of the budget control the carrier-specific floor is intended to address.

B. Another Glide Path Option

GVNW supports the proposal in the NPRM to provide another "glide path" option along with the prospect of capping the loss of support. Election of a glide path by an RLEC is a win all around – for the Commission (which has expressed its preference for regulatory mechanisms not associated with rate-of-return regulation), other RLECs and the electing company. Presumably the RLEC values the predictability of transitioned A-CAM support as evidenced by its election of the glide path, other RLECs would benefit from the additional funds made available generated by the future reductions in support for such electing RLECs, and the Commission would move another RLEC away from rate-of-return regulation. Commenters support adoption of another opportunity for RLECs to elect the glide path.[53] The Blooston Rural Carriers do suggest an important caution

[51] *Id* at 34-35.
[52] *See* Comments of USTelecom at 19, Comments of WTA at 28 and Comments of ITTA at 30.
[53] *See* Comments of NTCA at 42-43, Comments of WTA at 14 and Comments of Blooston Rural Carriers at 10.

however, "The Blooston Rural Carriers support a second offer for such carriers, but only to the extent that it does not result in a reduction in support for carriers that remain on legacy support mechanisms."[54]

WTA explains the value of another glide path option that includes a cap on the loss of support "That is, by 'adjust[ing] the per-location funding cap for each carrier so that every [cost-based] carrier has an opportunity to accept the new model with only a small loss (5 to 15 percent) of support' (NPRM at ¶ 122), the Commission could take a major step toward giving the many RLECs that received what they consider to be unreasonably low ACAM support offers (e.g., many of the 30, 40, 50, 60, 70, 80 and 90 percent support reductions listed in Reports 12.3 and 13.3) *bona fide* new reasons and incentives to reconsider a voluntary election of model-based support."[55] GVNW also endorses WTA's logical suggestion that "…the proposed second offer would be more attractive and equitable if the build-out obligations were adjusted and reduced proportionally to account for the reduced amount of support resulting from the shorter actual term and steeper transition path."[56]

C. Another A-CAM Option if Accompanied by Additional Funding

GVNW supports the position taken by NTCA and others on the proposal to allow a new A-CAM offer "The Commission should *not* at this time place further strains on already insufficient USF budgets, however, by enabling a new, revised offer of A-CAM support – unless it is prepared to provide additional support *atop the budgets indicated above.*"[57] While there are certainly benefits to both potentially-electing RLECs and the Commission by more companies electing A-

[54] *See* Comments of Blooston Rural Carriers at 10. Also *see* Comments of TCA at 5.
[55] *See* Comments of WTA at 18.
[56] *Id* at 19.
[57] *See* Comments of NTCA at 46.

CAM, allowing another A-CAM option, absent additional funding, would diminish the Commission's ability to address the concerns about inadequate funding of *current* mechanisms. ITTA agrees "…the Commission must fully fund the legacy mechanism budget and separately provide current A-CAM plan carriers with up to $200/month per eligible location. After doing so, the Commission should extend a new model offer to all legacy rate-of-return carriers, i.e., those for whom model-based support would result in less funding than legacy support as well as those for whom model-based support would yield greater funding. [emphasis added][58] WTA takes a similar cautious approach "WTA also tentatively favors consideration of a broader new model offer, but asks that such consideration be postponed until the impacts of the overall RoR budget review, the potential second ACAM glide path offer, and the level of funding for existing ACAM participants and cost-based RLECs can be determined."[59]

D. Reform of CAF-BLS if Accompanied by Additional Funding

Shifting from the CAF-BLS mechanism to "a connection is a connection" -- supporting all working loops with the same level of support whether they enable voice, broadband or both, using the ICLS and HCLS mechanisms -- is an elegant way to ensure proper incentives for consumer-driven conversions to standalone broadband services. Unfortunately, this mechanism would allocate only 25 percent of broadband-only loop costs to common line, leaving 75 percent of those loops unsupported. Absent additional support, this shortfall would result in substantially higher rates for those subscribing to standalone broadband services. As clearly explained by NTCA "…this sort of change would simply "mask" massive USF shortfalls by shifting loop costs to interstate special access, rendering such costs ineligible for USF support and leading to increased

[58] *See* Comments of ITTA at 20.
[59] *See* Comments of WTA at 20-21.

special access rates that then would still fall right back onto rural consumers in the end in the form of higher broadband rates."[60] NTCA goes on to explain the inevitable conclusion "This sort of plan should therefore be considered for adoption *if and only if*: (a) it comes with sufficient support resources; and (b) it will not, because of the "masked" appearance of reduced support and budget cuts, choke broadband investment incentives and leave consumers with unreasonably incomparable rates for broadband."[61]

E. Modification of the Rural Growth Factor

The Rural Growth Factor (RGF), composed of the sum of inflation and growth (or loss) in lines, should be modified to change the cap on High Cost Loop Support (HCLS) to reflect only line growth, not line loss. In recognizing that support should be tied to inflation, the Commission that designed the RGF was an early adopter of an inflation-adjusted support cap. The same Commission also made what seemed to be a sensible adjustment to the HCLS cap to reflect growth in lines. Just as inflation would increase the cost of building and maintaining loops, the number of loops themselves would increase the overall need to support those high-cost loops. Given that landline networks are a proportionately fixed cost business, adding customers necessitating the construction of new lines adds to costs, but losing customers does not mean that the cost of the sunk investment in the lines no longer generating customer revenue disappears. The Small Company Coalition expresses concern about the budget impacts of the RGF and proposes either total elimination or removal of the line 'growth' portion of the calculation.[62] Similarly, the Blooston Rural Carriers call the RGF "counterproductive" and call for its elimination.[63]

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[60] *See* Comments of NTCA at 67.
[61] *Id*.
[62] *See* Comments of Small Company Coalition at 7.
[63] *See* Comments of Blooston Rural Carriers at 9.

III. Other NPRM Proposals that Should be Rejected

While certain tweaks to the current mechanisms pragmatically fulfill the Commission's policy goals with respect to fairly and efficiently distributing high-cost support to rate-of-return carriers, other proposals are counterproductive. Those counterproductive proposals include lowering the $250 cap on per-line support, changing the competitive overlap regime and instituting means testing in the high-cost program.

A. Lowering of $250 Cap on Per Line Support

Modifying the current mechanisms to fix identified glitches is one thing, but gratuitously tinkering with the current mechanisms is entirely different. It unnecessarily introduces uncertainty into the system which discourages investment in advanced voice and broadband services, contrary to the goals of the Commission. Not only would lowering the $250 cap be problematic for companies currently impacted by it, TCA explains the impact on companies with locations below the $250 cap "What the FCC fails to consider is that many RLECs slowed broadband deployments to ensure they don't run afoul of any caps or limitations on support like the $250 cap."[64] The NPRM offers no compelling rationale for lowering the $250 cap on per line support, other than the fact that the current cap is not impacting the number of carriers anticipated when the 2011 Order was adopted.[65] NTCA estimates that reducing the cap by 20 percent to $200 might yield savings of less than $1.5 million to the program – not even 0.01 percent of a "baseline" annual $2 billion budget – even as the impacts on individual rural Americans within the affected study areas could be significant.[66] South Park Telephone Company (SPTC) explains those impacts "Indeed,

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[64] *See* Comments of TCA at 8.
[65] *Connect America Fund, et al.,* WC Docket No. 10-90 *et al.,* Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking (rel. March 23, 2018) at ¶¶ 158-159.
[66] *See* Comments of NTCA at 56.

as SPTC is the only terrestrial voice and internet access provider that covers the Company's entire service area, the approximately 1,200 locations in SPTC's service area will be at risk of not just losing access to voice, but access to high speed internet services." [67] There is a high level of agreement to maintain the current $250 limit.[68]

One of the few parties to disagree is NCTA which provides no rationale for a reduction in the limit other than to "offset additional headroom in the budget" while admitting that a reduction to $225 or $200 "would fall well short of offsetting the $66.6 million increase in A-CAM support that would result from "fully funding" A-CAM recipients."[69] As explained by NTCA, the funds saved my reducing the $250 cap would be minimal.[70]

B. Modifying the Competitive Overlap Provisions

As with reducing the $250 cap on per line support, there is no rationale to change the competitive overlap provisions, other than the apparent disappointment at the Commission that the level of overlap anticipated has not proven to exist in reality. Institution of reverse auctions would add to uncertainty and diminish broadband investment incentives for RLECs. WTA states "There is probably no more effective way than a 'winner-take-all' auction process to ensure that most broadband investment, deployment and upgrades will come to a near or complete halt in study areas for which such auctions appear somewhat likely to be conducted."[71] TCA states the obvious

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[67] *See* Comments of South Park Telephone Company at 4.

[68] *See* Comments of Allband Communications Cooperative at 5 "It is not clear as to whether any constructive result would occur from instituting a reduction in the per-line USF support pursuant to rulemaking, nor the amount of entities, if any, that would be subject to such a rule revision." Also, *see* Comments of Small Company Coalition at 10, Comments of WTA at 33-34, Comments of TCA at 8 and Comments of South Park Telephone Company at 4 opposing a decrease in the $250 per location limit.

[69] *See* Comments of NCTA at 3-4.

[70] *Id* at 56.

[71] *See* Comments of WTA at 40.

"…if the FCC finds that the administrative burdens outweigh the benefits of this process, it should consider eliminating the process altogether."[72]

The Commission speculates that the lack of findings of competitive overlap are due to the lack of participation by purported unsubsidized competitors even though the same competitors have apparently overstated the coverage of their voice and broadband service on the FCC Form 477, unnecessarily triggering the 100 percent overlap proceedings for particular RLECs. NTCA states "Contrary to the suggestion in the NPRM, there is no basis to believe that purported unsubsidized competitors lack incentive to participate in the process – rather, it could just as easily be said (and is more likely the case) that any lack of participation is due to an inability to demonstrate true competitive presence and the ability to back up census block-based assertions made in Form 477 filings."[73] With respect to fixed wireless providers, WTA notes "This inability to determine the availability of their service at various locations not only explains why WISPs may have elected not to participate in 100 percent overlap challenges, but also constitutes a substantial reason why WISPs cannot replace or displace RLECs in many rural areas without a substantial risk of loss or degradation of existing and future services for significant numbers of existing customers."[74]

Several commenters note issues with the accuracy of Form 477.[75] NTCA states "Ultimately, the lack of participation referenced in the NPRM is perhaps less of an indication that purported unsubsidized competitors lack incentives to participate than it is a function of a broken Form 477 that fails to capture accurate and granular data necessary to achieve the purposes for

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[72] *See* Comments of TCA at 9.
[73] *See* Comments of NTCA at 57.
[74] *Id* at 38.
[75] *See* Comments of Illinois RLECs at 14 and Comments of NTCA at 57.

which the Commission utilizes the data gathered."[76] The Illinois RLECs particularly note the inaccuracy of 477 Forms filed by fixed wireless providers."[77]

It is ironic that NCTA embraces the proposed auction mechanism to replace the 100 percent overlap process. The current process, which NCTA characterizes as "cumbersome,"[78] was actually proposed by NCTA. NCTA's proposal was applied solely to situations in which there was a *wireline* competitor present and was not triggered by information gleaned from 477 Forms, and, so in that sense, the current process *is* more cumbersome than that it initially proposed. NCTA defends the use of Form 477 data instead of a challenge process when its proposal detailed above suggested a challenge process as a trigger for an overlap process and when the Form 477 data has been objectively proven to be inaccurate.

The Wireless Internet Service Providers Association (WISPA) argues that the existing challenge process has not been successful.[79] This ignores the fact that the 100 percent overlap process has been run twice and found only one instance of such overlap. That does not make the process unsuccessful, it merely proves the assumption of widespread overlap to be incorrect.

WISPA asserts that its members are reluctant to deny the incumbent its USF support because "A company seen as contributing to the reduction of overall benefits to the community may earn itself negative publicity and loss of consumer good will."[80] Yet WISPA ignores the inaccurate 477 Forms in which some of its members show greater overlap than actually exists, leading to the unnecessary and wasteful 100 percent overlap proceedings.

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[76] *See* Comments of NTCA at 58.
[77] *See* Comments of Illinois RLECs at 5.
[78] *See* Comments of NCTA at 4.
[79] *See* Comments of WISPA at 5.
[80] *Id*.

WISPA also complains that making the required overlap showing may require access to "reliable information from multiple parties that may not otherwise have an interest in cooperating with each other, or in keeping the detailed business records required to make such a demonstration."[81] With respect to "reliable information," voice and broadband providers are supposed to file such information with the Commission in their Form 477 submissions. Is WISPA suggesting that such submissions by its members are unreliable? If "detailed business records" refers to knowledge of the area in which the WISP can provide service, it strains credulity that a provider cannot accurately determine its service area. Finally, cooperation with multiple unsubsidized providers is not usually necessary. As noted by the Illinois RLECs in their comments, the vast majority of the areas raised in the 100 percent overlap proceedings had only one or two providers.[82]

WISPA's concern about the need for the Commission to engage in detailed fact-finding[83] could be ameliorated if Form 477 information submitted by fixed wireless providers was more accurate, reducing the Commission's workload by eliminating many unnecessary competitive overlap proceedings. Also, when addressing an issue of such importance to consumers and RLECs as the potential loss of high-cost universal service support, it is not unreasonable to have the Commission carefully examine facts and data to make the correct determination.

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[81]*Id*.
[82]*See* Comments of Illinois RLECs at 7-8. In 2015, 13 of the 15 study areas identified as having 100 percent overlap had only one or two unsubsidized competitors identified by the Commission. In the 2017 100 percent overlap proceeding, seven of the study areas identified by the Commission were repeats from the 2015 proceeding, allowing the unsubsidized competitors two years to develop "reliable information" and develop cooperative relationships with other unsubsidized competitors.
[83]*See* Comments of WISPA at 6.

The Commission proposes an auction mechanism that is contrary to its own public policy with respect to high-cost universal service support to competitive areas. As noted by the Illinois RLECs, "Paradoxically, adoption of the NPRM's auction proposal would result in 100 percent competitive overlap by the RLEC on the first day after the auction funds were awarded to the competitor."[84] Several other comments make the same point.[85]

The Commission evidences concern about the "challenging" nature of the current proceeding on Commission staff, yet it fails to address the potential burdens on the Commission of designing and implementing an auction process. According to ADTRAN, "While the use of a reverse auction mechanism theoretically might reduce the required subsidy amounts, any such potential gains would need to be balanced against the delays, costs and complexity of designing and running an auction (as well as the costs imposed on the auction participants). Moreover, it is not clear how competitive any such reverse auction might be, considering that the rate of return CAF program at issue here addresses "dribs and drabs" of locations scattered throughout the rate of return carriers' territories.[86]

C. Means Testing and Vouchers

Vouchers assume that if each rural household were provided a voucher, multiple networks would spring up to meet the demand from the funded potential customers. In reality, there would be no networks, since in most areas in rural America, it is not feasible to build even one fixed network that connects all the households in a given geographic area, let alone multiple networks with each serving a fraction of the households present. As NTCA notes, "That is precisely why

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[84]*See* Comments of Illinois RLECs at 9 and Comments of WTA at 41. The Blooston Rural Carriers also oppose modifying the current competitive overlap rules and implementing an auction in their place – *See* Comments of Blooston Rural Carriers at 16.
[85]*See* Comments of ITTA at 33, Comments of WTA at 41 and Comments of TCA at 9-10.
[86]*See* Comments of ADTRAN at 6.

current USF policy logically looks to support only one provider in any given rural area – the network economics in many of these deeply rural areas do not support the business case for two (or more) networks."[87]

Means testing suffers from fatal flaws from both legal and practical perspectives. Income or wealth data would have to be collected from households – not to qualify for a benefit, but to have the privilege of paying a much higher rate for voice and broadband services. Similar to the Lifeline benefit, providers would not want to collect or retain such sensitive subscriber information, so it would fall to the government to administer. It is not hard to imagine that the costs to administer such a system would outweigh any savings to the high-cost fund, particularly bearing in mind that rural America is generally poorer than the nation as a whole.[88] NTCA lays out the legal impediment "…means testing would necessarily translate into an effective requirement that relatively wealthier rural consumers must pay more than *both* other rural consumers *and even their wealthier urban counterparts* – a public policy choice that might be debatable in merit, but one that is simply impermissible on the face of a law that calls absolutely for reasonable comparability in services and rates."[89] All parties filing in the docket and addressing the issue of means testing agree that application to the RofR high-cost program is unwise.[90]

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[87] *See* Comments of NTCA at 61.

[88] *See* United States Department of Agriculture Economic Research Service "Rural Poverty & Well-being," "According to the U.S. Census Bureau's Annual Social and Economic Supplement to the Current Population Survey (CPS) data estimates, the higher incidence of nonmetro poverty relative to metro poverty has existed since the 1960s when poverty rates were first officially recorded." https://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being.aspx

[89] *See* Comments of NTCA at 62-63. Also *see* Comments of TCA at 10 with respect to means-testing the rate-of-return high-cost program "…it completely ignores the statutory mandate of universal service – to provide for reasonably comparable service at reasonably comparable rates."

[90] *See* Comments of NTCA at 60, Comments of Small Company Coalition at 12, Comments of WTA Comments at 46-47 and Comments of ADTRAN at 11-12.

IV. Conclusion

The overwhelming majority of commenters in this proceeding recognize that the current budget for the rate-of-return ("RofR") portion of the high-cost Universal Service Fund must be significantly increased. The draconian reductions in support for legacy RofR companies resulting from the budget control mechanism and the inability of the Commission to fund the A-CAM at a higher per-location amount, or even offer the A-CAM option to all companies willing to move to model-based support, demonstrate the inadequacy of the current fund. The current level of high-cost support is not enough to properly implement the design of the rate-of-return fund. GVNW endorses the appropriate amount of support recommended by WTA and NTCA as well as implementing an inflation adjustment for the Alaska Plan.

To ensure proper implementation of the Commission's vision of a properly operating rate-of-return high-cost universal service fund, several changes need to be made to the current regime. With respect to the A-CAM funding cap, GVNW supports the restoration of the $200 per location that was initially offered with the proviso that such action does not harm cost-based RLECs. An inflation factor should apply to the budget as it was first set in 2011 at $2 billion annually and then be brought forward. Any additional resources provided to address the insufficiency caused by application of the budget control mechanism should be applied retroactively to July 1, 2018, so that RLECs and the rural consumers they serve will not be harmed to the tune of monthly $20 million support cuts.

The fundamental design of the reformed RofR high-cost universal service fund is sound, but, as with any complex new mechanism, certain modifications should be adopted to further enhance its effectiveness based on the experience gained from implementation. GVNW endorses the Commission's proposal for a "floor" for individual RLEC support to the extent that total demand for cost-based support exceeds the available budget and triggers the budget control mechanism. No matter the methodology used to apply the budget control mechanism fairly and equitably, it is bound to have differential impacts and some may be sufficiently anomalous as to unfairly penalize an RLEC and its customers. Use of a floor can address that situation.

GVNW supports the proposal in the NPRM to provide another "glide path" option along with the prospect of capping the loss of support. Election of a glide path by an RLEC is a win all around – for the Commission (which has expressed its preference for regulatory mechanisms not associated with rate-of-return regulation), other RLECs and the electing company. However, the option should only be offered to the extent that it does not result in a loss of support for carriers that remain on legacy support mechanisms. Similarly, GVNW supports the proposal to allow a new A-CAM offer as long as it is prepared to provide more support in addition to the higher support level endorsed by GVNW above.

Shifting from the CAF-BLS mechanism to "a connection is a connection" -- supporting all working loops with the same level of support whether they enable voice, broadband or both, using the ICLS and HCLS mechanisms -- is an elegant way to ensure proper incentives for consumer-driven conversions to standalone broadband services. But this plan should be considered for adoption *if and only if*: (a) it comes with sufficient support resources; and (b) it will not, because of the "masked" appearance of reduced support and budget cuts, choke broadband investment incentives and leave consumers with unreasonably incomparable rates for broadband.

The Rural Growth Factor (RGF), composed of the sum of inflation and growth (or loss) in lines, should be modified to change the cap on High Cost Loop Support (HCLS) to reflect only line growth, not line loss. In recognizing that support should be tied to inflation, the Commission that designed the RGF was an early adopter of an inflation-adjusted support cap. The same

Commission also made what seemed to be a sensible adjustment to the HCLS cap to reflect growth in lines. Just as inflation would increase the cost of building and maintaining loops, the number of loops themselves would increase the overall need to support those high-cost loops. Given that landline networks are a proportionately fixed cost business, adding customers necessitating the construction of new lines adds to costs, but losing customers does not mean that the cost of the sunk investment in the lines no longer generating customer revenue disappears.

While certain tweaks to the current mechanisms pragmatically fulfill the Commission's policy goals with respect to fairly and efficiently distributing high-cost support to rate-of-return carriers, other proposals are counterproductive. For example, not only would lowering the $250 cap be problematic for companies currently impacted by it, and yield less than minimal savings, it would cause many other RLECs to slow broadband deployments to ensure they don't run afoul of any caps or limitations on support like the $250 cap.

As with reducing the $250 cap on per line support, there is no rationale to change the competitive overlap provisions, other than the apparent disappointment at the Commission that the level of overlap anticipated has not proven to exist in reality. Institution of reverse auctions would add to uncertainty and diminish broadband investment incentives for RLECs.

Means testing suffers from fatal flaws from both legal and practical perspectives. Income or wealth data would have to be collected from households – not to qualify for a benefit, but to have the privilege of paying a much higher rate for voice and broadband services. Similar to the Lifeline benefit, providers would not want to collect or retain such sensitive subscriber information, so it would fall to the government to administer. It is not hard to imagine that the costs to administer such a system would outweigh any savings to the high-cost fund, particularly bearing in mind that rural America is generally poorer than the nation as a whole.

The Commission should take this opportunity to stabilize the high-cost universal service fund for rate-of-return carriers and their customers. Sufficient funding and appropriate modifications to some fund mechanisms can help expand and improve advanced broadband and voice services to rural areas of our nation, leading to a brighter future for rural Americans.

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June 25, 2018